

SUMMARY

This Environmental Assessment (EA) was prepared by the Bureau of Land Management (BLM), in cooperation with the Montana Department of Environmental Quality (MDEQ) and the Montana Board of Oil and Gas Conservation (MBOGC), to provide a coordinated analysis of the Fidelity Exploration & Production Co. Tongue River - Coal Creek Project Plan of Development (POD).

Fidelity Exploration & Production Company (Fidelity) filed the Tongue River - Coal Creek Project Plan of Development and Applications for Permit to Drill (APD's) for 210 wells, received by the BLM on April 15, 2004. The project proposed by Fidelity includes the drilling, completing and producing of 132 wells on 27 locations of federal minerals, 16 wells on 4 locations of state minerals, and 62 wells on 13 locations of private minerals; and constructing and installing the associated infrastructure of access roads, flowlines, power lines, meter and pumping facilities, using existing infrastructure and reclaiming disturbed areas. In addition, Fidelity proposes to install this infrastructure to produce 4 previously drilled CBNG wells; 2 federal, 1 fee and 1 state. The Coal Creek POD has been approved by the Montana Board of Oil & Gas Conservation; however, drilling permits have not been approved pending completion of an environmental analysis. Fidelity proposes to begin these operations after receipt of necessary approvals, with completion of these operations in 2005. The proposed wells would be completed in the Carney, Monarch, and Dietz coal seams in the Tongue River Member of the Fort Union Formation. The production life of the Project wells is expected to be 10-15 years with final reclamation to be completed approximately two or three years following plugging of the wells and removal of production facilities.

The project area is located adjacent to production in the Badger Hills portion of the CX Field, primarily Sections 16, 19, 20, 21, 22, 27, 28, 29, 30, 31, 32, 33 and 34, T. 9 S., R. 41 E., and Sections 23 and 24, T. 9 S., R. 40 E., in Big Horn County, southeastern Montana. BLM conducted field on-site inspections of the proposed well locations and associated infrastructure on May 6th and 7th, 2004. During the field visits to each of the proposed locations, all areas of proposed surface disturbance were inspected to ensure that potential impacts to natural resources would be minimized.

Issues of concern include impacts to wildlife, protection of cultural resources, effects on water quality and quantity, reclamation of disturbed areas, cumulative impacts (past, present and reasonably foreseeable actions) of CBNG exploration and development and related activities, and air quality. The proposed project is for drilling and production of CBNG; impacts from the preferred alternative would be relatively short-term. Effects may comprise: air quality that would include some particulate emissions due to construction and exhaust from drilling equipment and field compressors, surface and ground water potential impacts occurring from drawdown of coal bed aquifer and discharges from the private and federal wells, wildlife habitat fragmentation and human/wildlife interactions could occur in the area, and cultural resources may inadvertently be revealed.

The environmental analysis in this EA and other referenced environmental analyses, provides basis for the BLM and MBOGC decisions. The agencies must decide whether or not to approve the individual wells and associated infrastructure on or for the benefit of leases associated with the proposed project.

Various actions and management options were analyzed in three alternatives; the no action alternative (Alternative A), the no federal approval alternative (Alternative B), and approval of Fidelity's proposed action with additional mitigation (Alternative C). The agencies have identified Alternative C as the preferred alternative.

GLOSSARY

APPLICATION FOR PERMIT TO DRILL, DEEPEN OR PLUG BACK (APD): The Department of Interior permit application form needed to authorize oil and gas drilling activities on federal minerals.

BENEFICIAL USES: Beneficial uses of the Tongue River include agriculture, aquatic life, drinking water, and industrial and recreational uses.

COAL BED NATURAL GAS (aka COAL BED METHANE): A clean-burning natural gas found inside and around coal seams. The gas has an affinity to coal and is held in place by pressure from groundwater. Producing coal bed natural gas involves drilling into coal seams and reducing the hydrostatic pressure on the coal by producing the groundwater thus releasing the gas.

CRITERIA POLLUTANTS: carbon monoxide, lead, nitrogen dioxide, ozone, particulate matter, fine particulate matter and sulfur dioxide.

CUMULATIVE IMPACT: The impact on the environment that results from the positive or negative impacts of an action when added to other past, present and reasonable foreseeable future actions, regardless of what agency or person performed such action(s).

CONDITION OF APPROVAL (COA): Requirements imposed on the applicant under which an Application for a Permit to Drill (APD) or Sundry Notice is approved.

LEASE: 1) An oil and gas lease is a contract that grants the lessee the rights to drill for and remove oil and gas deposits in the leased lands, subject to the terms and conditions incorporated in the lease. 2) The tract of land, on which a lease has been obtained, where producing wells and production equipment are located.

MINERAL DRAINAGE: An offsetting producing well that removes oil or gas from a federal or Indian lease.

MITIGATION MEASURES: Methods or procedures developed for the purpose of reducing or eliminating the impacts of an action. Mitigation may be built into the proposed project or required in an alternative as a condition of approval.

PRIMARY STANDARDS: NAAQS standards designed to protect human health, including "sensitive" populations, such as people with asthma and emphysema, children, and senior citizens. Primary standards are designed for the immediate protection of public health, with an adequate margin of safety, regardless of cost.

PREVENTION OF SIGNIFICANT DETERIORATION (PSD) PROGRAM: Incremental increases in the ambient concentration of criteria pollutants are regulated under the New Source Review - Prevention of Significant Deterioration (PSD) program. The program is designed to limit the incremental increase of specific air pollutants from major sources of air pollution above a legally defined baseline level, depending on the classification of a location. Incremental increases in PSD Class I areas are strictly limited, while increases allowed in Class II areas are less strict.

PROPOSED ACTION: An individual action or a combination of actions proposed on or to benefit federal leases.

SECONDARY STANDARDS: NAAQS standards designed to protect public welfare, including soils, water, crops, vegetation, buildings, property, animals, wildlife, weather, visibility and other economic, aesthetic, and ecological values, as well as personal comfort and well-being. Secondary standards were established to protect the public from known or anticipated effects of air pollution.

SPLIT ESTATE: Surface and minerals of a given area in different ownerships. Frequently, the surface is privately-owned while the minerals are federally-owned.

ABBREVIATIONS/ACRONYMS

AO	Authorized Officer
APD	Application for Permit to Drill
APE	Area of Potential Effect
APLIC	Avian Power Line Interaction Committee
ARM	Administrative Rules of Montana
AUM	Animal Unit Month
BCF	Billion Cubic Feet
BCPL	Bitter Creek Pipelines, LLC
BGS	Below Ground Surface
BLM	Bureau of Land Management
BMP	Best Management Practice
CBNG	Coal Bed Natural Gas
COA	Conditions of Approval
CWA	Clean Water Act
DEM	Digital Evaluation Model
DNRC	Department of Natural Resources and Conservation
EA	Environmental Assessment
EC	Electrical Conductivity
EPA	Environmental Protection Agency
ESA	Endangered Species Act
Fidelity	Fidelity Exploration and Production Company
FLPMA	Federal Land Policy Management Act
FWS	U.S. Fish and Wildlife Service
GPM	gallons per minute
GWIC	Groundwater Information Center
KCLA	Known Coal Leasing Area
MAAQs	Montana Ambient Air Quality Standards
MAQP	Montana Air Quality Permit
MAQP	Montana Air Quality Permit
MBMG	Montana Bureau of Mines and Geology
MBOGC	Montana Board of Oil and Gas Conservation
MCA	Montana Codes Annotated
MDEQ	Montana Department of Environmental Quality
MEPA	Montana Environmental Policy Act
MLA	Mineral Leasing Act
MPDES	Montana Pollution Discharge Elimination System
MT FEIS	Montana Statewide Final Environmental Impact Statement (2003)
NAAQS	National Ambient Air Quality Standards
NASIS	National Soils Information System
NCT	Northern Cheyenne Tribe
NHPA	National Historic Preservation Office
NOI	Notice of Intent
OZM	Ozone Limiting Method
POD	Plan of Development
PRG	Powder River Gas
PSD	Prevention of Significant Deterioration
BPIP	Building Profile Input Program
R/W	Right-of-way
RMP	Resource Management Plan
SAR	Sodium Adsorption Ratio
SHPO	State Historic Preservation Office
SOB	Statement of Basis
SSS	Special Status Species

SWPPP	Storm Water Pollution Prevention Plan
t/ac/yr	tons per acre per year
T/E	Threatened/Endangered
TAC	Technical Advisory Committee
USGS	United States Geological Survey
VRM	Visual Resource Management
WMPP	Wildlife Monitoring and Protection Plan
WNV	West Nile Virus
WQA	Water Quality Act
WY FEIS	Wyoming Environmental Impact Statement (2003)
7Q10	The lowest flow expected to occur for seven consecutive days over any 10 year period